

MINUTES

KANSAS ELECTRIC TRANSMISSION AUTHORITY

May 14, 2007
Kansas Corporation Commission
1500 Arrowhead Road
Topeka, KS 66604

Members Present

Representative Carl Holmes, Chairperson
Earnie Lehman, Vice-Chairperson
Senator Jay Emler
Senator Janis Lee
Representative Annie Kuether
Les Evans
Tim McKee, Secretary

Chairperson Holmes called the meeting to order at approximately 10:00 a.m. *Senator Emler made, and Mr. Evans seconded, a motion to approve the March Board minutes with a typographical correction. The motion passed.*

The Chairperson added discussion of the next meeting time and date to the published agenda. *Mr. Lehman made, and Senator Emler seconded, a motion to approve the published agenda as amended. The motion passed.*

The Chairman opened the floor for discussion of the professional services proposals the Board had received in response to its request for proposals. Senator Emler made, and Mr. Lehman seconded, the following motion: *"Mr. Chairman, I move that the Board recess into an executive meeting for the purpose of discussing proposals for professional services submitted in response to the Board's RFP issued March 15, 2007 pursuant to a promise of confidentiality, and that the Board resume its open, public meeting at 10:40 a.m. today at this location. The executive meeting will be attended only by the Kansas Electric Transmission Authority (KETA) Board members and by Mary K. Galligan serving as staff to the Board." The motion passed.* The Board went into executive meeting.

At 10:40 a.m. the Board returned from its executive meeting. *Chairperson Holmes recognized Senator Emler who renewed the prior motion with the exception that the motion stated that the Board would end the executive meeting at 11:00 a.m. Mr. Evans seconded the motion. The motion passed.* The Board resumed its executive meeting.

The Board ended the executive meeting at approximately 10:50 a.m. No action was taken until 11:00 a.m. Mr. Lehman explained communication from Pirate Capital, LLC. that had been sent to the KETA officers (Attachment 1).

At 11:00 a.m. the Board resumed public discussion of the proposals for professional services. Mr. Lehman stated that until the Board starts the 90 period required by the KETA statute for public announcement of a transmission project, the Board's primary professional service need will be legal services. He noted that the Board needs to be in a position in which the fiscal and administrative services are readily available once a transmission project is announced. Mr. Lehman further stated that given KETA's current needs, the best fit is with the proposal submitted by Stevens and Brand of Lawrence. *Mr. Lehman made, and Mr. McKee seconded, a motion that the Board enter into negotiations with Stevens and Brand for the services included in the firm's proposal for a 13 month period beginning in June 2007 and ending July 2008. The motion passed.*

Chairperson Holmes designated Mr. Lehman and Senator Emler to negotiate the service contract on the Board's behalf. The Chairperson requested that the negotiators make a progress report to the full Board at the next meeting. Senator Emler asked staff to communicate to the authors of the other proposals the Board's decision and to convey to the authors the Board's thanks.

The meeting recessed at 11:05 a.m. until 1:00 p.m.

The meeting resumed at 1:00 p.m.

The Chairperson recognized Jay Caspary, Keith Tynes, and Charles Cates of the Southwest Power Pool (SPP) for their presentation of the feasibility study prepared by SPP pursuant to a contract with KETA. The study is Attachment 2 and the slides presented by Mr. Caspary are Attachment 3.

In response to a question, Mr. Caspary stated that SPP anticipated there would be additional wind generation in Kansas, but that it was not included in models used for this study. He also stated that the models include only firm service and that a significant amount of additional transmission capacity would not be required to accommodate wind generation during the summer peak demand period.

Mr. Caspary responded to questions about the impact of the Holcomb expansion plan on the results of the study. He said that the model used included the east Holcomb unit, and included the assumption that electricity generated from the other two units will be sold in Colorado.

In regard to benefits shown in the study, Mr. Caspary explained that the benefits to Kansas are based on the location of the generator, not where the electricity is consumed. He also commented that one way to look at generator benefits is to recognize that transmission capacity allows generators who have efficient units to run those units more, and allows generators who have inefficient units to purchase less expensive power. Mr. Caspary also noted that benefits cited in the study only include those that would accrue to generators. Benefits to load and other potential benefits are not factored into the study results. He also noted that the model assumes that power will move from west to east across Kansas, but not to a particular load. The model used by SPP only looks at eliminating inefficiencies.

The Chairperson opened the floor to questions from the audience. In response to those questions, Mr. Caspary noted that the model used for the study optimizes on commitment that is

fixed and that there was an assumption that some power would be moved outside SPP. He also noted that the load growth assumption in the 2020 figures is approximately 2.5 to 3 percent per year.

Mr. Caspary informed the Board that SPP had not posted the study for the public, pending this presentation. He said that a subset of the slide presentation, at a higher level of detail, has been posed. *Mr. Lehman made, and Senator Lee seconded, a motion authorizing SPP to release the KETA study and related material for general use. The motion passed.*

The Board recessed at 2:45 p.m.

The Board reconvened at 3:00 p.m.

The Chairperson recognized Earl Watkins, President and Chief Executive Officer, Sunflower Electric Power Corporation, for an update on the Holcomb Power Plan expansion. Mr. Watkins informed the Board that Sunflower is continuing to work on the project and that they are near the final design stage. He noted that a number of generation projects have been canceled in other parts of the country and that Sunflower is trying to capitalize in the availability of equipment from those projects. He said that they would build two, rather than three, 700 MW units as a result of changes in Tri-State's plans. He also noted that the four year delay in the building of Holcomb IV will work better for Sunflower because of the recent acquisition of Aquila property.

Mr. Watkins noted that the Department of Health and Environment has not issued the air permit for the plant and that the company is hopeful that the permit will be issued in June. After the construction air permit is issued, Sunflower plans to continue to meet with the environmental community and is aware of agreements that have been reached between environmentalists and utilities in other states. He noted that the Sunflower project includes carbon sequestration and an integration bio-energy center that are not generally included in power plant expansion projects. He said the Sunflower is encouraged by discussions with environmentalists and hopes to have an agreement with them by the time the air permit is issued. Approximately 6 to 9 months after the permit is issued, Sunflower expects to begin construction. The first plant should be on line in approximately 5 years (2012). The second expansion plant will follow by 6-12 months depending on transmission issues that Tri-State is working through in Colorado.

In response to questions from the Board, Mr. Watkins noted that an AC-DC-AC tie may make some of the energy from the anticipated expansion available in Kansas. He also noted that any excess electricity generated will be sold so would benefit Kansas ratepayers because the cooperative structure requires that profit flowing back to members in the form of reduced rates.

The Chairperson directed the Board's attention to discussion of the next steps in the KETA work plan. Mr. Lehman said he would like to look more closely at the conservative nature of the assumptions in the model used by SPP and to explore how the cost of a KETA project would be recovered. He also expressed interest in quantifying potential benefits of new transmission that were not factored into the SPP study, such as additional trading opportunities, enhanced reliability, risk mitigation, and additional potential to add renewable production to the mix in Kansas. He also indicated that he would like to factor in the effect of the cost of money that KETA can access. He said that other benefits might become apparent with additional analysis, but that those benefits might not accrue to retail customers in Kansas. Mr. Lehman asked whether KETA could work informally with SPP to obtain answers a little more quickly. He asked whether individual members of the Board could direct questions to Mr. Caspary outside a Board meeting.

Rep. Kuether proposed that members who have followup questions get those questions to the Board's staff by Monday, May 21. Staff could send the questions to Mr. Caspary after review by all members. Members would have 2-3 days to comment on the questions prior to sending them to SPP. The Board agreed to submit followup questions by May 21 to be forwarded to Mr. Caspary.

The Chairperson directed the Board's attention to the expenditure report prepared by the Kansas Corporation Commission (KCC) and included in members' notebooks. The report shows a balance as of the end of April of \$12,591. That amount reflects encumbrance of the amount necessary to pay for the SPP study.

The Chairperson recognized Mr. Lehman for an update on the agenda for the June meeting with other states' authorities. Mr. Lehman reported that he is continuing to try to contact other states' board members in order to stimulate interest in additional agenda items. The Board asked staff to explore whether the state plane would be available for the trip to Rapid City. Five members of the KETA Board and one staff person have registered for the meeting.

The Chairperson proposed that the next meeting be June 11 at 1:30 p.m. at the KCC. [Subsequent to the May meeting, the June meeting was rescheduled for June 12 prior to the Board's departure for the meeting in Rapid City.] Agenda items for that meeting will include responses from SPP to followup questions, a report on the negotiation of the professional services contract, and an update on Westar transmission projects.

The meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Tim McKee, Secretary